



Our strength and resilience

“Our strong performance allowed us to pay a special dividend in December 2023. A further special dividend was announced in March 2024, along with an increase in our ordinary dividend of 50%.”

Peter Clarke
Non-Executive Chair

The Board is very pleased with the performance of the business during 2023. As part of the Board's annual review of Lancashire's strategic priorities in 2023, we discussed and affirmed three areas of focus: underwriting comes first; balance risk and return through the cycle; and insurance market employer of choice.

The management team have been committed to delivering on these priorities and the performance of the business in 2023 is testament to their success.

From an underwriting perspective, the business has continued to grow with the market opportunity. These are some of the best market conditions in over a decade, and Lancashire has always been a business that is able to quickly and efficiently match capital to the best underwriting opportunities. Gross premiums written increased by 16.9%, and insurance revenue increased by 23.9%, as Alex discusses in his review on page 6. The growth has come from a more diversified portfolio which better mixes catastrophe risk with less volatile product lines.

This was the result of a strategic decision to diversify the portfolio that has been implemented over the past five years, and I am pleased that we are now seeing the results of that pivot come through in earnings and in a healthy combined ratio (undiscounted) of 82.6% for 2023.

The performance of the business also resulted in a positive change in diluted book value per share of 24.7%.

The strength of Lancashire's business model has also allowed us to increase our ordinary dividend by 50%.

Lancashire's strong performance during 2023 was discussed at our third quarter Board meeting, and the Board was pleased to approve a special dividend of \$119.5 million, which was paid in December 2023. The Board also approved a buyback of Lancashire's common shares. However, no shares were repurchased under the programme. A further special dividend was announced in March 2024.

While the underwriting result is key, the business has also benefited from the higher interest rate environment within its investment portfolio. The portfolio delivered a return of 5.7%, which is a welcome outcome following the investment market volatility and negative returns reported during 2022.

As Natalie discusses in her review, Lancashire has an extremely robust capital position and has ample capital to fund its planned underwriting during 2024 while rewarding its shareholders. The Group's reserving philosophy has traditionally been conservative for both newer and more established lines of business. That remains the case, and there are no plans to change this successful approach.

During 2023, the Group has also continued its focus on environmental, social and governance matters. I discuss these in more detail in the introduction to the Sustainability and Governance sections of this report, starting on page 41. As always, I would like to commend the work of the Lancashire Foundation and its efforts to help those less fortunate. This includes putting 'ESG into action' through volunteering, particularly through Project Transform, and in assisting a range of causes, which during 2023 included a specific focus on the environment.

This is my final report to shareholders as I prepare to step down from my roles as Chair and Non-Executive Director following the 2024 AGM, having completed nine years' service. I am delighted that Philip Broadley has been appointed as Non-Executive Director of LHL and as the LHL Chair designate. Philip has a wide breadth of experience across the sector and beyond, and I know the Board and the Company will be in safe hands under his stewardship.

As I reflect on the past nine years, Lancashire has changed considerably and has grown from a relatively small underwriter of select risks to a much larger, diversified business and a respected leader across the (re) insurance sector. In 2016, my first year as Chair, the business wrote \$633.9 million of premium – and underwrites three times that today. This growth has been accompanied by a commensurate investment across our business in underwriting, actuarial and support functions.

Lancashire's product suite has also expanded with the introduction of many new lines of business. While catastrophe risk is still a significant part of the portfolio, the less volatile lines now add ballast to the business. Lancashire remains a lean and efficient company and is able to react quickly when the right opportunities are available. None of this could have been achieved without a dedicated and committed team and I would like to thank Alex, Natalie and Paul, and the other members of the management team, for their leadership. It has not always been easy and we have seen some challenging periods, but I am confident that the business is in excellent hands and that their passion for ongoing success will be realised. I know that this commitment to the business is shared by all employees across the Group, and I would like to thank them for their hard work, enthusiasm and good humour. The Group's headcount has grown from 198 in my first year as Chair to nearly 400 today. Despite this rapid expansion, Lancashire has retained its distinctive and vibrant culture and will continue to do so.

So, as I sign off for a final time, I would like to thank all my colleagues at Lancashire, my fellow Board members, both past and present, and our shareholders for their fantastic support and dedication during my tenure as Chair. I am extremely proud to have been the Chair of this great company that places its clients, business partners, shareholders, people and all stakeholders at the centre of everything it does. I offer everyone at Lancashire my very best wishes for the future, and I look forward to the continued success of the business in 2024 and beyond.

Chair designate Philip Broadley

Philip Broadley was appointed as a Non-Executive Director in November 2023. Philip was also identified as the Chair designate, and his appointment as Chair is expected to take effect immediately following Lancashire's 2024 AGM in May 2024, subject to shareholder approval.

Philip is Senior Independent Director and Audit Committee Chair at AstraZeneca PLC and a Non-Executive Director of Legal & General Group Plc, and has held senior roles across financial services, including as Group Finance Director at Prudential plc and Old Mutual plc. He has also served as Chair of the 100 Group of Finance Directors and as a member of the Code Committee of The Takeover Panel.

Philip said: "Lancashire is in a period of robust growth in a strong market environment. I join a business which is in very good hands. I am extremely pleased to accept my appointment to the Board. I look forward to working with Alex and all my colleagues at Lancashire and to leading the LHL Board as Chair following the 2024 AGM."